



Senate Fiscal Agency
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Senate Bill 425 (Substitute S-1 as reported)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to allow the present beneficiary of a trust to claim a principal residence exemption for property owned by the trust, if it were the beneficiary's principal residence.

Before claiming the exemption, the present beneficiary would have to file an affidavit with the assessor of the local tax collecting unit notifying the assessor that the beneficiary was claiming a principal residence exemption for property owned by the trust, and stating that he or she had met all requirements for a principal residence exemption.

MCL 211.7dd

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase State School Aid Fund expenditures by an unknown amount. Property that qualified for the exemption as a result of the bill would no longer be obligated to pay locally levied mills for school operating purposes. (For most school districts this represents a levy of 18 mills.) Any revenue loss to the local unit would be offset by increased School Aid Fund expenditures in order to maintain per-pupil funding amounts. The actual impact would depend on the number of properties affected by the bill, as well as the specific characteristics of each property.

No data exist on the number of properties or trusts that would be affected by the bill, but in 2010 more than 64,600 Michigan trusts were required to file returns with the Internal Revenue Service. If 5% of these trusts were affected by the bill, and the average taxable value of each affected property were \$100,000, exempting affected properties from the 18-mill levy would increase School Aid Fund expenditures by approximately \$6.0 million per year.

The bill also would reduce State income tax revenue to the General Fund by an unknown and likely minimal amount, by increasing the number of properties that could potentially qualify for a homestead property tax credit.

Date Completed: 10-17-13

Fiscal Analyst: David Zin